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SUBJECT: BRAZIL: SEN. BILL NELSON'S MEETING WITH MINISTRY OF
EXTERIOR RELATIONS U/S EVERTON VARGAS

11. (U) THIS CABLE IS SENSITIVE BUT UNCLASSIFIED AND NOT FOR
INTERNET DISTRIBUTION.

12. (SBU) SUMMARY. During a November 27 conversation with Senator
Bill Nelson (Florida), the Ministry of Exterior Relations' (MRE)
Under Secretary for Policy, Ambassador Everton Vieira Vargas,
discussed relations with the United States, regional security and
defense issues, and the environment. He described relations with
the United States as very good and expected this to continue during
the next U.S. administration. Still, Vargas complained about the
U.S. excessive focus on Cuba and its agriculture subsidies. He
noted also that Brazil considers it critical to have democratic
neighbors that are stable and that it believed that dialogue, not
confrontation nor isolation, is the best way to deal with President
Hugo Chavez of Venezuela.

13. (SBU) SUMMARY CONTINUED. Brazil is proud to lead the UN
peacekeeping operations in Haiti. There, the key challenge is how
to create jobs. On the environment, Brazil has domestic programs to
monitor and control deforestation, which are already showing
results. The rate of deforestation has declined by over 50 percent
in the last two years, and he expected another 30 percent decline in
12007. Brazil wants to take measures regarding climate change - such
as reducing the deforestation rate and promoting the use of biofuels
- because Brazil will be affected first and foremost by climate
change. He stated that climate change threatens to turn the Amazon
forest into a savannah-like environment over the next 50 years. END
SUMMARY.

14. (SBU) On November 27, Senator Bill Nelson (Florida) and the
Ministry of Exterior Relations' (MRE) Under Secretary for Policy,
Ambassador Everton Vieira Vargas, discussed a wide range of issues,
from national security to climate change. Vargas is responsible
for, among other things, multilateral issues, including the United
Nations Stabilization Mission in Haiti (MINUSTAH), and the
environment. Vargas was joined by the MRE's Director for North
American Affairs, Counselor Joao Tabajara de Oliveira Junior.
Senator Nelson was accompanied by his staff; the Embassy
Environment, Science and Technology Counselor and the Deputy
Political Counselor.

GENERALLY VERY GOOD RELATIONSHIP WITH UNITED STATES

15. (SBU) In response to Senator Nelson's question, Vargas
characterized Brazil's relationship with the United States as very
good. There is very good dialogue between both sides and in those
cases where we may differ, he said, we can do it sitting down without
rancor. Vargas stated that of the 500 largest U.S. companies, 400
are in Brazil. Further, many Brazilian firms are investing in the

United States. We can and we should have a closer relationship, he declared. We have new opportunities to work together. He said, "we can continue working closely with the next administration in Washington, whether Republican or Democrat."

¶6. (SBU) One area Vargas stressed was technical cooperation. He said, our two countries are unique, two large countries in the Western Hemisphere. He added, we should try to stimulate technical cooperation between our two countries in order to generate goods and services that can contribute to economic growth. When asked about U.S. policy in the region, Vargas stated that any new U.S. policy toward Latin America shouldn't be based on assistance, though clearly it will be necessary in some special cases. It would be a major breakthrough if there were more cooperation between private firms on technical cooperation.

¶7. (SBU) Vargas highlighted the ongoing technical cooperation on biofuels pursuant to a Memorandum of Understanding (MOU), which was signed in March 2007. In that area, he opined, we can do a lot. He saw progress with all three aspects of the MOU: helping third countries develop biofuels; establishing international standards; and research and development cooperation.

¶8. (SBU) The relationship was not without some contentious areas, Vargas admitted. Specifically, he complained about U.S. agriculture subsidies. Until resolved, he said, cooperation won't be as bright as it could be. He clarified that he wasn't speaking just on the tax on imported ethanol, he was referring to agriculture subsidies in general. He described U.S. subsidies as a major obstacle in dealing with the United States on trade issues.

¶9. (SBU) Another troubling issue for Brazil was the way the U.S. relationship with Cuba overshadowed everything else in the region,

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he stated. It appeared that all U.S. policy in the region goes through the filter of Cuba. This might have been understandable during the Cold War, but not anymore. Now, Latin America is different. Cuba isn't all of Latin America and the United States should deal with the various countries in the region accordingly.

LATIN AMERICA AND NATIONAL SECURITY

¶10. (SBU) Turning to Latin America, Vargas said, it is critical to have democracy in the region and also stability. Brazil prefers the path of dialogue over confrontation, he added, because confrontation will push countries like Venezuela down undemocratic paths. He recalled how Brazilian President Luiz Ignacio Lula da Silva and the MRE were criticized over how they had dealt with Bolivian President Evo Morales when he nationalized the gas operations of the Brazilian national oil and gas company Petrobras. "We said then that dialogue is the only way, and now we can see the positive results of this approach with Bolivia inviting Petrobras back in to the country to invest in oil and gas," he stated. He also noted that U.S. investors hold 40 percent of the equity in Petrobras. Through dialogue, Brazil was letting Bolivia know it needed to protect and respect foreign investment. Vargas added that Brazil's longest border is with Bolivia, over 11,000 kilometers, and so "we want stability in Bolivia, as well as in Venezuela and Ecuador." It is critical, he said, "this is why we are trying to include Venezuela in Mercosul and to build a Union of South American countries."

¶11. (SBU) Senator Nelson highlighted concerns in the United States regarding Venezuelan President Hugo Chavez, especially with regards to his wave of arms purchases. Vargas replied that the MRE doesn't see this as putting Brazil's security at risk. He stated, "we don't comment on internal policies of others, such as the decision to buy arms. Brazil enjoys a very close and hospitable relationship with Venezuela. Our companies are active there," noting that a Brazilian company is building the subway in Caracas and Petrobras is working together with the Venezuelan national oil company PDVSA. Moreover, President Lula can talk with President Chavez. He said, "we think the best way to deal with Chavez is through dialogue. It isn't good to confront or isolate him. We need to talk with Chavez, the same way we talk with others. We are strongly convinced that Chavez is trying to do his best for his country," Vargas concluded.

¶12. (SBU) With regard to Haiti, Vargas attributed great importance to MINUSTAH, which Brazil leads. He described the challenge there as more than a security matter, it was at heart an economic one. He noted that President Lula had said that it is vital that Haiti receive social, economic and humanitarian assistance. Most important, he stressed, was the need to create jobs in Haiti. Also, he added, the international community should help establish a strong police force and conduct "robust institution" building.

¶13. (SBU) Vargas explained that Brazil was developing a National Defense Strategy, and that Minister Robert Mangabeira Unger, the cabinet-level Secretary for Long Term Planning, was leading the effort in coordination with the Minister of Defense, Nelson Jobim. He said the subject of national security was vital; mentioning that his father had fought in World War II with the Brazilian contingent that went to Italy. When asked about the recent discovery offshore of the Tupi oil field, Vargas replied that "our concerns aren't just limited to oil, they are with the Amazon. The Amazon is a very sensitive matter. The GoB is always concerned with the presence of other armed forces on its borders. That is why it tries to have close cooperation with our neighbors on borders." He noted that the GoB was concerned about FARC entry into Brazil. More than once we had to expel them when they entered the Amazon, he noted, but said this had not occurred recently. Accordingly, the Brazilian military is deployed along the Amazon border. There it needs different types of military equipment, such as river boats, rather than blue water naval vessels.

¶14. (SBU) Concerning arms and equipment, Vargas lamented the sorry state of affairs. He said, "we are concerned with our own equipment, much of which is obsolete." As an example, he cited that the Chief of Staff of the Navy had told him directly of a very critical shortage of naval equipment. He noted, however, that President Lula is determined to modernize the Brazilian armed forces and that the administration seeks to revive the Brazilian military industrial base with more production taking place in-country. Brazil was open to joint ventures on the production of military equipment and, if need be, to buying abroad.

THE AMAZON FOREST, CLIMATE CHANGE, AND BIOPIRACY

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¶15. (SBU) Senator Nelson explained that he had long been interested in the issue of deforestation, especially with regard to the Amazon. He inquired about the GoB's views on managing the Amazon forest. Vargas responded that the GoB needed to keep an eye on the Amazon. He said Brazil viewed it as its main national asset, a strategic area not only for its forest, but also for water management, biodiversity and as the home for some 25 million people. The GoB has ambitious plans to fight deforestation through the use of enhanced command and control procedures, he added. By so doing, it seeks to prevent illegal logging and expansion of agriculture into the Amazon. He explained that Brazil has a sophisticated monitoring system, which uses remote satellite sensing through a partnership with the Chinese called CBERS. Similarly, using the SIVAM ground-based radar network, for which Raytheon is the prime contractor, the GoB is monitoring the Amazon airspace for illicit aircraft incursions, he noted.

¶16. (SBU) Vargas continued, pointing out that Brazil has sophisticated environmental legislation and an environmental criminal code. Moreover, it has established protected areas that now encompass an area larger than half of Western Europe. He announced that Brazil was already seeing good results from its efforts. There had been a 50% reduction in the rate of deforestation over the last two years, from 2.75 million hectares deforested in 2003-2004 to 1.4 million hectares in 2005-2006, and expected a further reduction in the rate of about 30% this year.

¶17. (SBU) Managing the Amazon isn't just about protecting trees, Vargas commented. Brazil needs sustainable development and so the fundamental challenge is an economic one: How can Brazil produce goods from the Amazon in a sustainable manner? How can it better use the rich biodiversity in the Amazon? Part of the solution is to

obtain more market access for Brazilian goods, he said, as well as establishing a strong research and development policy. Also, he added, Brazil needs investment in the region.

¶18. (SBU) On climate change, Vargas said, if there is no change in patterns of production - especially in developed countries - in fifty years we will have the "savannahization" of the Amazon. Brazil isn't trying to protect the Amazon because of global concerns, but it is doing so because climate change will affect Brazilians first and foremost, he asserted, adding that "we are committed to strong deforestation efforts." Deforestation accounts for only nine percent of the greenhouse gas emissions and the majority of emissions are caused by using fossil fuels. "That is why we are promoting biofuels," he explained. At the same time, President Lula has already decided to stop sugar cane production in the Amazon. We are looking at certification for biofuels. In sum, Vargas declared, "I am convinced that the government has done a lot to combat deforestation."

¶19. (SBU) Vargas identified another major issue for Brazil: biopiracy, or the unauthorized taking of plant or animals or tradition knowledge. We need to have a major clampdown, he said. The police are working on this, and Brazil is doing a lot and trying to do more.

¶20. (U) Noting his long-time interest in environmental issues, and his leadership of efforts to save the Everglades, Senator Nelson informed Ambassador Vargas that he would attend the environmental summit the following week in Bali, where many issues of concern to the U.S. and Brazil would be discussed. Vargas noted that he would be part of the GOB delegation in Bali and that he looked forward to seeing the Senator there.

CHICOLA